



Highlight

Lotte Group aims to make Vietnam its third-largest market behind South Korea and Japan

VIETNAM BUSINESS REVIEW

Vol 33, Aug 24th 2022

What's in it today?



FINANCE

Vietnam ranks 5th in economic openness in Asia
Finance ministry sets targets for restructuring banking system



INVESTMENT

Lotte Group aims to make Vietnam its third-largest market behind South Korea and Japan
Da Nang calls for VND2.24 trillion industrial park investors



RETAIL

Thailand's Central Group plans to expand investment in Vietnam
Vietnamese retail giants see opportunities in domestic market



E-COMMERCE

Vietnamese E-commerce firm Society Pass acquires Indonesian traveltech firm NusaTrip



ENERGY

Vietnam's petroleum imports rise 150% over eight months



LOGISTICS

Vietnam builds Provincial Logistics Competitiveness Index to promote development of logistics services
Export forecast for this year to reach roughly US\$ 368 billion

FINANCE

Vietnam ranks 5th in economic openness in Asia

Vietnam ranks fifth out of 35 Asian markets in terms of economic openness, according to a report by market researcher Fitch Solution.

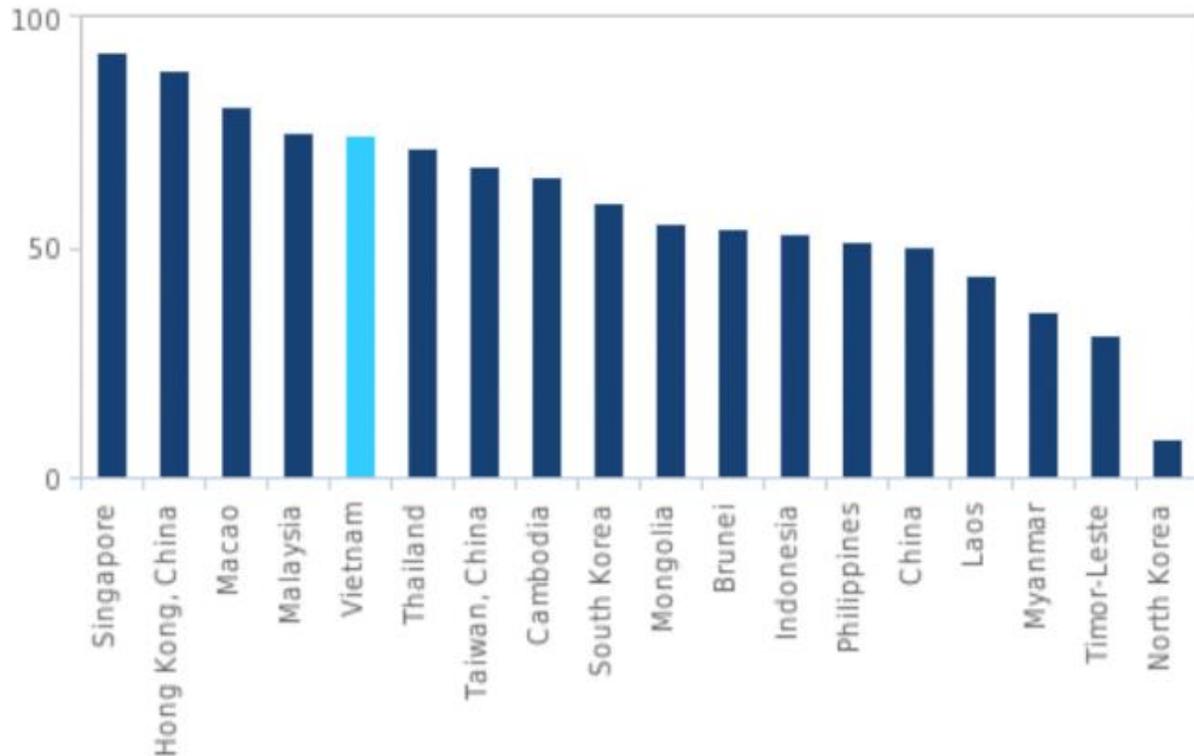


Photo courtesy of Fitch Solutions

Its recent Vietnam Trade & Investment Risk Report gave the Vietnam economy a score of 74.6 out of 100, higher than the Asia average of 46 and global average of 49.5. "The country is emerging as a key manufacturing hub in the East and South East Asia region, supported by government-led economic liberalisation efforts and integration into global supply chains, through trade agreements and membership to regional and international blocs," it said.

In Asia, Vietnam was outperformed by Singapore, Hong Kong, Macao and Malaysia. Globally, it ranks 20th out of 201 markets. Fitch's economic openness is generated from two main indicators: trade and investment openness, which are based on import, export and foreign direct investment values as a percentage of GDP. It scores each market on a scale of 0-100, with 100 being the highest.

Vietnam scored 89.2 in terms of trade openness, ranking second in the region and fifth globally, thanks to its attractiveness as a destination for businesses looking elsewhere from China or adopting a "China plus One" supply chain policy to reduce manufacturing dependence on the country.

In the year-to-date electronics giants have announced expansion of operations in the country, following China's prolonged Covid-19 lockdowns and growing tensions with the West. Apple suppliers Luxshare and Foxconn are reported to start testing production of Apple Watch and MacBook in Vietnam, Reuters reported last week.

Meanwhile South Korea's Samsung has just completed construction of its \$220-million research and development center in Hanoi, and is testing its ball grid array products, a component for semiconductors, for mass production at the tech giant's factory in northern Thai Nguyen Province in July 2023. Vietnam is also a member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and various free-trade agreements, which further supports trade and economic diversification efforts, the report added.

The country also has a relatively stable political system, strategic location, and an abundant labor force that is less costly relative to China, which pulls investors. But the government's restricted foreign ownership in some sectors, including energy, transport, mining, utilities and agriculture have resulted in the country's investment openness ranking of eighth regionally and 62nd globally with a moderate score of 60. Vnexpress

[Back to top](#)

Finance ministry sets targets for restructuring banking system

The Ministry of Finance (MoF) has issued targets for restructuring banks in a bid to bolster the strength of Vietnam's financial sector. The MoF will coordinate with other ministries to set regulations on capital increases for State-owned credit institutions, especially the Bank for Agriculture and Rural Development of Vietnam (Agribank).

The MoF will also coordinate with the State Bank of Vietnam to apply International Financial Reporting Standards (IFRS) in accordance with financial reporting standards in Vietnam. In addition, it will study and develop standards for debt valuation, including bad debts, with an aim to create a legal basis for debt valuation activities to ensure objectivity in debt valuation.

Ministries and agencies will have to report their results to the MoF's Department of Banking and Financial Institutions before November 15 every year so the department can compile the results to send them to the SBV before November 30 every year. The Government issued Decision No689/QĐ-TTg in June this year, which approved the project on restructuring the system of credit institutions associated with bad debt settlements in 2021-25. The project aims to create a clear and substantive change in the restructuring of the banking system.

Under the decision, Vietnam will reduce the number of credit institutions and basically finish the settlement of poor-performing banks by 2025 to make the banking system more healthy and sustainable. The project encourages investors to participate in the purchase, sale, consolidation and merger of credit institutions voluntarily to increase the size and competitiveness of the institutions to make the country's banking system among the top four in ASEAN by 2025.

Under the project, Vietnam also targets to have at least two to three commercial banks in the top 100 strongest banks in Asia by 2025. The project stipulates that commercial banks' capital adequacy ratio will reach at least 10-11% by 2023 and at least 11-12% by 2025.

Large-sized banks, excluding weak ones, must have a minimum charter capital of 15 trillion VND, and the number for small- and medium-sized banks will be 5 trillion VND by 2025. The minimum charter capital required for financial companies and financial leasing companies is 750 billion VND and 450 billion VND, respectively. For weak banks under the central bank's special control, the capital increase will be implemented according to plans approved by the competent authority.

The project also directs the Vietnam Asset Management Company to submit to competent authorities for consideration a plan to increase its capital to 10 trillion VND in 2022-25 to improve the financial capacity and operational efficiency of the agency in dealing with bad debts. According to the project, the bad debt ratio on the balance sheet of credit institutions, excluding those of weak commercial banks, will be less than 3% by the end of 2025. VNA

[Back to top](#)

E-COMMERCE

Vietnamese E-commerce firm Society Pass acquires Indonesian traveltech firm NusaTrip

Society Pass, a Vietnam-based tech firm, has acquired Indonesian online travel agency (OTA) NusaTrip for an undisclosed amount. Patrick Soetanto, Society Pass' country manager for Indonesia, said that he will expand NusaTrip's services to more Southeast Asian countries soon by integrating more travel product lines for international and regional users.



Photo credit: Society Pass

Founded in 2018, Society Pass focuses on acquiring Southeast Asian ecommerce players to build a loyalty and data marketing ecosystem. Aside from NusaTrip, it has acquired Vietnam-based lifestyle platform Leflair, Philippines-based e-grocery firm Pushkart, Singapore-based blockchain startup Gorilla Networks, and Thailand-based social commerce platform Thoughtful Media Group, among others.

The company was established by Dennis Nguyen and incorporated in Nevada. In November last year, it went public after listing on the Nasdaq, raising around US\$26 million in the process. It is the first Vietnamese company to complete a traditional listing on a stock market outside its home base.

In a statement, Society Pass said that it has more than 3.3 million registered users and over 205,000 registered merchants on its platform. Techinasia

[Back to top](#)

ENERGY

Vietnam's petroleum imports rise 150% over eight months

Petroleum businesses imported 651,000 tonnes worth US\$736 million in July alone, representing an increase of 5.4% in volume but a fall of 9.4% in value compared to corresponding figures recorded in June due to the cooling of world market prices.



More than 3.17 million tonnes of diesel were shipped to Vietnam, making up 60% of the total volume of petroleum products imported into the country as of August 15.

Meanwhile, the Republic of Korea remains Vietnam's largest petroleum import market, with 2.17 million tonnes in the first seven months of this year, up 92%. It is followed by Malaysia and Singapore that purchased 815,000 tonnes and 753,000 tonnes, respectively.

The global oil market has fluctuated sharply since the beginning of the year, mostly due to the limited conflict in Ukraine. In Vietnam, the Nghi Son oil refinery's decision to cut production capacity in January due to technical problems resulted in a shortage of petroleum in the domestic market.

The Ministry of Industry and Trade immediately requested key petroleum trading businesses to increase their imports by an additional 2.4 million m³ in the second quarter, to make up for the shortfall in output from the plant. The ministry confirmed that Vietnam currently has a sufficient supply of petroleum for domestic use.

Domestic retail petrol and oil prices have experienced 13 increases and seven falls since the beginning of this year. After skyrocketing to more than VND 33,000 per litre, the price of petrol RON-95 plummeted in early July and it has since declined five times to VND24,660 per litre at present. VOV

[Back to top](#)

RETAIL

Thailand's Central Group plans to expand investment in Vietnam

Thai retail conglomerate Central Group is planning to expand aggressively at home and in neighboring Vietnam, hoping to tap an expected jump in demand when the COVID-19 pandemic ends, according to Nikkei Asia.

Central Retail has 340 malls and stores as well as 10 retail brands in Vietnam, including Go! Mall, Nguyen Kim, SuperSports and Top Market, spanning the sales of electronics, to sports wear, to groceries. (Photo: VNA)



Central Retail, the group's core retail arm, has set aside 30 billion THB (848 million USD) to invest in Vietnam, where it intends to increase sales to 100 billion THB over the next five years, up from the current 38.6 billion THB, according to its business strategy published in its annual report.

The plan matches analysts' forecasts, which expect Vietnam's resilient economy to keep growing after the pandemic. These forecasts see the country's retail sector growing 9% per year to around 150 million USD.

"Central Retail has a strong presence in Vietnam, a market it entered more than 20 years ago," a Kasikorn Research Center analyst said, as cited by Nikkei Asia. "This time it will shift its investment focus from brick-and-mortar stores to technology to expand its selling platform and gain a greater customer base."

Central Retail has 340 malls and stores as well as 10 retail brands in Vietnam, including Go! Mall, Nguyen Kim, SuperSports and Top Market, spanning the sales of electronics, to sports wear, to groceries.

The company also has BIPBIP, an e-commerce food and grocery shopping platform that stocks more than 12,000 items and has a 12 million-strong customer base.

Central Retail hopes that its 30 billion THB investment will help it to become Vietnam's biggest food and property retail platform.

Apart from expanding existing operations, it will also seek to buy businesses that can help to expand its reach.

The company is pushing a business strategy it calls "omnichannel" that lets online consumers choose whether to pick up their orders or have them delivered. Central Retail expects omnichannel sales to make up more than 15% of the company's total over the next few years, up from the current 8%. VNA

[Back to top](#)

Vietnamese retail giants see opportunities in domestic market

In the first seven months, total retail sales are estimated at VND 3.2 quadrillion, up 16 per cent compared to last year.



Large Vietnamese retailers are trying to expand their scale, exerting competitive pressure on foreign competitors to find opportunities in the retail sector. Vietnamese billionaire and THACO Group chairman Tran Ba Duong said his firm would expand its Emart supermarket chain so that by 2026, the chain aims to have 20 stores across the country and revenue of US\$1 billion.

This year, it plans to open two hypermarkets in HCM City, one in Thu Duc City's Thu Thiem area in October and the other in Go Vap District in December.

THACO Group is not alone. In July, Nova Consumer - a member of NovaGroup - completed the acquisition of Sunrise Foods. That laid a foundation for this firm to expand its distribution channel to 450,000 retail points in the future and promote e-commerce channels and increase exports, baodautu.vn reported.

At the same time, NovaGroup opened its first 2,000sq.m Nova Supermarket in HCM City as part of its plan to expand to more than 2,000 points of sale in the next three years across the country. Major George, an expert from RMIT University Vietnam, told baodautu.vn that Vietnamese brands have been expanding their own retail chains or acquiring foreign supermarket systems and then developing them.

This demonstrates the attractiveness of the domestic retail market, which is currently valued at \$170 billion with a growth forecast of 10 per cent over the next five years, he said. He said the increase in the number of young middle-class people who are also tech-savvy and discerning shoppers, along with the development of retail chains have paved the way for the development of the retail sector in Vietnam.

According to Vu Thi Hau, Chairwoman of Vietnam Retailers Association, the local retail market has gradually recovered and regained its growth momentum after the pandemic was controlled. Since the beginning of 2022, many retailers have expanded their supermarkets, distribution systems and new retail models, Hau said, forecasting that Vietnam's retail industry will continue to prosper in the coming years and is still one of the markets targeted by foreign investors.

To maintain market share, Mrs. Hau said it is necessary for domestic retailers to continue to improve capacity and prepare for upcoming competition, she said. Other experts said businesses need to pay attention to local consumer confidence in their products.

Domestic consumers now have more information about products, brands and services, and their needs are increasingly demanding. Therefore, in the long term, small and medium enterprises need to have

strategies to enhance the quality of their products and services, and produce according to the market's needs.

Vietnam's retail sales of goods and services in July reached an estimated VND 486 trillion (\$20.8 billion), up 2.4 per cent month-on-month, and 42.6 per cent year-on-year, according to the General Statistics Office (GSO). In the first seven months, total retail sales are estimated at VND 3.2 quadrillion, up 16 per cent compared to last year. VNS

[Back to top](#)

LOGISTICS

Vietnam builds Provincial Logistics Competitiveness Index to promote development of logistics services.

The launch of the Vietnam Provincial Logistics Competitiveness Index (LCI) is expected to help reduce logistics costs, support production and export development, and attract foreign investment more effectively in the future, said Lê Duy Hiệp, the Vietnam Logistics Business Association (VLA) chairman.



According to the VLA, the LCI Index is an index that evaluates the development speed, quality, infrastructure, and policies of municipal and provincial authorities for logistics service businesses in Vietnam.

Tran Phuong Tra, director of the Economic Policy Network at AVSE Global, said that provinces and cities lack systems in logistics infrastructure to link among localities effectively.

Meanwhile, logistics is a very important factor to help agricultural, industrial and service value chains in Vietnam develop.

In addition, according to this expert, in the planning of provinces and cities, the role of the logistics industry has not been highlighted enough as a factor connecting and supporting economic sectors, and ensuring the transport of goods. The reason for this is probably at the organisation stage. This is one sector that needs close coordination among production sectors, such as agriculture and industry, with infrastructure, transport and construction sectors, Trà said.

In addition, provinces and cities in Vietnam are always up to date on the trends of international logistics, such as Closed Loop Supply Chain and circular economy. At the kick-off ceremony of the Vietnam Provincial Logistics Competitiveness Index (LCI) Project 2022 on August 11, she emphasised that logistics is the "heart" connecting all stages in the value chain, from production, transportation and storage to the supplier and the end user. Without logistics, the value chain will operate ineffectively.

For example, organising logistics activities at the municipal or provincial level needs to pay attention to strategy and orientation. That means having specific activities and goals to connect related industries. This also requires local management agencies to organise effectively the logistics stages.

"Therefore, the implementation of the LCI project is very useful. This will encourage localities to set up logistics development strategies well," Trà was quoted by the Vietnam Economic Times as saying.

The LCI Index will be used to evaluate policies with local authorities to improve and develop the logistics service industry.

This index is implemented by VLA in collaboration with Vietnam Chamber of Commerce and Industry (VCCI)'s and research units, Dream Incubator (DI) and the Vietnam Logistics Research and Development Institute (VLI).

The statistics and assessments in the index will be important for domestic and foreign businesses in choosing locations and expanding business. For the provincial LCI Index, experts said that the important factors of this index include organisation, infrastructure, technology in logistics and supply chain management. They are also macroeconomic conditions, skills, product market, labour market, financial system, market scale, dynamism in the business environment, and innovation.

The competitiveness index of Vietnam's logistics ranks 77th in the world. If each locality has good logistics activities, it will certainly raise Vietnam's logistics competitiveness rank in the future. Regarding the logistics infrastructure in localities, experts said that they need to improve roads, the efficiency of ships, ports and air services, and even power supply systems for logistics. One more important factor in the provincial LCI is the human factor. The localities have a lack of skilled human resources that can meet the requirements of connecting parts in a value chain. VNS

[Back to top](#)

Export forecast for this year to reach roughly US\$ 368 billion

Based on the preliminary results recorded during the first half of the year, the Ministry of Industry and Trade anticipates that export turnover for the whole year is estimated to be at about US\$ 368 billion, a year-on-year increase of around 9.46%.



The first half of the year witnessed import and export turnover continue to increase with a total turnover of more than US\$371.3 billion. Of the figure, export turnover soared by 17.3% on-year to reach over US\$186 billion.

Exports in the domestic economic sector rose by 19.5%, with this increase being higher than that of the foreign-invested sector, including the FDI sector which saw crude oil increased by 16.6%. This thereby highlights the efforts of local enterprises in restoring production and business activities and resuming supply chains in challenging conditions.

Furthermore, there were 29 items which had an export turnover of over US\$1 billion, up four items over the same period from last year, accounting for 91.2% of total export turnover.

This comes after local firms have effectively capitalised on Free Trade Agreements (FTAs), especially new generation FTAs, to bolster exports.

Moving forward, the global economy is forecast to endure plenty of difficulties in the remaining months of the year, with many major economies globally forecasting a possible recession.

In line with this, high inflation may negatively affect the consumption of imported non-essential goods, thereby reducing the demand for imported goods from other countries, including Vietnam.

However, the positive import and export results recorded during the first six months of the year can be considered as the basis for the industry and trade sector to strive to achieve and exceed the set targets for exports for the entire year.

Moving into the second half of the year, the demand for Vietnamese export goods is anticipated to continue to increase according to the import-export cycle and the efficiency of FTAs. This is especially true following the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the EU-Vietnam Free Trade Agreement (EVFTA), the Vietnam - UK Free Trade Agreement (UKVFTA), the Regional Comprehensive Economic Partnership (RCEP).

With regard to the trade development target set for 2023, the industrial and trade sector has set an export turnover target increasing by 8% compared to this year, with the trade balance maintaining a trade surplus.

In terms of potential solutions, the Ministry of Industry and Trade will continue to closely monitor the pandemic situation as it evolves, as well as changes in trade policies of other nations alongside major partners. This is in addition to checking the exchange of goods between countries in order to advise the Government on management solutions which can promptly respond to adverse factors.

The Ministry therefore emphasised the necessity of continuing to innovate, organising trade promotion schemes, along with connecting supply and demand both at home and abroad on the online environment and on new platforms.

These efforts will serve to intensify national trade promotion, support enterprises in exporting agricultural products, and continue to step up the simplification of administrative procedures.

Moreover, the focus will be firmly on implementing administrative procedures in the field of import and export under the National Single Window and the ASEAN Single Window in order to create favourable conditions for associations and businesses to participate in import and export activities.

It is therefore essential to support the growth of domestic firms in order to reduce dependence on the FDI sector in terms of production and export. VOV

[Back to top](#)

INVESTMENT

Lotte Group aims to make Vietnam its third-largest market behind South Korea and Japan

South Korean conglomerate Lotte is shifting its investment focus towards Vietnam as part of its strategy to pull out of China.



Lotte Group aims to make Vietnam its third-largest market behind South Korea and Japan, making a deeper penetration into the Southeast Asian market.

As reported by the newswire the Korea Herald, Shin Dong-bin, chairman of Lotte Group plans to travel to Vietnam in September for a groundbreaking ceremony of Lotte E&C's construction of the Eco Smart City complex in Ho Chi Minh City. Some \$900 million have been invested in the construction of the 60-story building on 680,000 square metres for residential and commercial use.

The chairman will also meet with top Vietnamese officials. Shin's trip to Vietnam indicates that the group has shifted its strategic focus from China. The South Korean retail giant has been looking for ways to grow its retail-to-construction business abroad due to the tension between South Korea and China in recent years.

Lotte announced its withdrawal from China in 2018. Over the following year, the group gradually closed its five department stores in China. At a board meeting last month, Lotte decided to sell its only remaining department store in China.

Meanwhile, Lotte Group has actively expanded its operation in Vietnam. Lotte Group first made its entry into Vietnam in 1998 with its fast-food business Lotteria and has since expanded to 270 locations. The group has a total of 15 Lotte Mart stores nationwide, two department stores, two hotels, and two duty-free stores in Vietnam.

There are 19 Lotte-affiliated firms operating in Vietnam, employing over 11,000 people. Some of its major projects include a 23-story shopping mall complex in Hanoi with a hotel and offices, which is slated for completion in 2023. Lotte Ventures Vietnam was also established last year to promote both local and South Korean startups to venture into the Vietnamese market.

A Lotte Shopping official quoted by The Korea Times said, "We are actively operating in Vietnam and Indonesia currently. The Vietnamese market in particular shows steep growth in the retail business and there is still room to grow. South Korea has a good reputation in Vietnam that helps with our business and people's income levels are rapidly growing too." VIR

[Back to top](#)

Da Nang calls for VND2.24 trillion industrial park investors

The central city of Da Nang is calling for investors interested in the construction of phase two of the VND2.24 trillion (USD97.65 million) Hoa Cam Industrial Park Project.



Da Nang Hi-Tech Park and Industrial Zones Authority have just issued an invite for investors to bid for the project which is located in Hoa Tho Tay Ward, Cam Le District and Hoa Nhon Commune in Hoa Vang District.

The project which covers an area of over 120 hectares was approved by Deputy PM Le Van Thanh in March this year.

The project should be carried out in three years from the date of issuance of the land lease contract, the authority said. It is expected to be operating for 50 years.

Interested investors can send applications to the authority between August 19 and September 30, 2022. The municipal government would complete the procedures to select the investors before November 15 to ensure work on the project begins soon.

Da Nang has so far put into operation six industrial zones covering 1,160 hectares, and a hi-tech park in 2010 on an area of 1,000 hectares. DTInews

[Back to top](#)

For more information, please contact us:

SEIKO IDEAS

Research & Consulting Division

Our services	Marketing Research Business Matching Investment Consulting Translation - Interpretation Training (Language & Soft skills)
Our clients	Think tanks, Universities Japanese & Vietnamese Government Organizations Manufacturers, Retail companies Advertisement agencies, Mass media
Head Office	Floor 5 th – A Chau Building No.24 Linh Lang Str., Ba Dinh Dist., Hanoi, Vietnam
Rep. Office	〒220-0012, 8F Wework, Ocean Gate Building 3-7-1 Minatomirai, Nishi ward, Yokohama Kanagawa, Japan
Telephone	+84-24-6275-5246 ; +84-24-6273-6989
Fax	+84-24-6273-6988
URL	www.seiko-ideas.com
Email	newsletter@seiko-ideas.com

**You are receiving this because you [subscribed](#) to our weekly business newsletter or you gave us your address via name card.*
